

STATE OF HAWAII
Department of Land and Natural Resources
Engineering Division

December 1, 2010

Board of Land and Natural Resources
State of Hawaii
Honolulu, Hawaii

**Approval to Enter Supplemental Contract for Grant-in-Aid Agreement with
The Oceanic Institute for Feed Mill Laboratory, Hawaii**

The Engineering Division desires to execute a supplemental contract to Contract No. 47455, Agreement for Grants, Subsidies and Purchase of Service with The Oceanic Institute (OI) for the development of a feed mill laboratory at the Panaewa Agricultural Park, Hawaii.

BACKGROUND

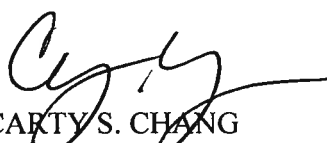
On September 8, 2000, the Board of Land and Natural Resources gave approval to enter a grant-in-aid agreement with The Oceanic Institute for the development of a feed mill laboratory utilizing funds appropriated by Act 91, SLH 1999, Item A-10 (Attachment 1). The original grant agreement was executed on November 9, 2000. Due to various delays due to project redesign and budget shortfalls, OI requested and was granted three no-cost time extensions. The current expiration date is December 31, 2010.

OI now requests a no-cost time extension to December 31, 2013 to complete this project (Attachment 2). Now under new management, OI is now focused to move forward with the feed mill project.

RECOMMENDATION

1. That the Board of Land and Natural Resources authorize the Chairperson to enter a supplemental contract to Contract No. 47455 for a no-cost time extension to December 31, 2013 and sign the necessary documents pertaining to the project, subject approval as to form by the Attorney General's office.
2. That the Board authorize the Chairperson, subject to review and approval by the Attorney General, to enter into additional supplemental contracts to address unforeseen project-related conditions and sign the necessary documents to implement the additional work.

Respectfully Submitted,


CARTY S. CHANG
Chief Engineer

Attachments

APPROVED FOR SUBMITTAL:



LAURA H. THIELEN, Chairperson

ITEM L-1

D-7

State of Hawaii
DEPARTMENT OF LAND AND NATURAL RESOURCES
Land Division
Honolulu, Hawaii

September 8, 2000

Board of Land and Natural Resources
State of Hawaii
Honolulu, Hawaii

Authorization to Enter a Grant-in-Aid Agreement for Feed Mill Laboratory, Hawaii

The Land Division desires to enter a Grant-in-Aid Agreement with The Oceanic Institute to develop a feed mill laboratory at the Panaewa Agricultural Park, Hawaii. Funds for this grant have been appropriated by Act 91, SLH 1999, Item A-10, as amended by Act 281, SLH 2000.

The Oceanic Institute is a private, nonprofit entity qualified to implement this project. The funds will be administered as a grant under Chapter 42F, HRS and will be used for the development of a feed mill laboratory at the Panaewa Agricultural Park to provide research opportunities and produce feeds for the aquaculture industry. Federal funds and industry contributions are also available to the Oceanic Institute in the development of this project.

A state-of-the-art feed mill laboratory is needed in Hawaii to provide the agriculture and aquaculture community with a means of producing the exact types of diets and quantity of feed necessary to perform feeds related research. As a crossroad between the major aquaculture nations in the western Pacific rim and the major feed equipment producers in the U.S., Hawaii has the potential to become a center of focus in aquaculture feed production technology.

A grant-in-aid for the development of a feed mill laboratory on Oahu was previously authorized by Act 296, SLH 1991, Item A-14. Due to problems in developing the Oahu site and at the request of The Oceanic Institute, the grant agreement encumbering those funds has been terminated and the balance of \$804,000 has been lapsed in lieu of this new grant agreement.

RECOMMENDATION:

That the Board of Land and Natural Resources authorize the Chairperson to enter a Grant-in-Aid Agreement with The Oceanic Institute for the development of a feed mill laboratory at the Panaewa Agricultural Park and to sign the necessary documents pertaining to the work, subject to the Governor's release of funds.

Attachment

Respectfully submitted,



DEAN UCHIDA
Administrator

APPROVED FOR SUBMITTAL:

Approved by the Board of
Land & Natural Resources
at the meeting held on
9/8/00



TIMOTHY E. JOHNS, Chairperson

ITEM D-7

Attachment 1



November 12, 2010

Mr. Carty S. Chang
Acting Chief Engineer
Engineering Branch, Land Division
Department of Land and Natural Resources
P.O. Box 373
Honolulu, Hawai'i 96809

Dear Mr. Chang:

Re: Contract Number 47455, Grant-in-Aid for Feed Mill Laboratory, Hawaii

The Oceanic Institute (OI) requests a no-cost time extension through December 31, 2013 to complete the work under contract number 47455. We are pleased to report that after some delays we are now moving forward with this important project. During the previous three years, although there was no physical progress, many behind the scenes hurdles were overcome. My predecessor, Dr. Bruce Anderson, was a major stumbling block to all planned construction projects at OI, not just this Feed Mill project. Although OI had constructed over \$7.5 million of facilities and infrastructure from 1999-2004 at its Makapuu site, from 2005 until just recently there had not been any significant construction activity here, although the funding for most of the projects was in hand. Dr. Anderson also lost the confidence of our Board of Trustees (BOT) during this period, which led to his subsequent resignation in March 2009 and his accepting a position with our affiliate, Hawaii Pacific University.

Since being named President of OI in September 2009, I have focused to regain the confidence of our BOT, especially in the area of our planned construction projects. Since that time we have started the construction of the \$350,000 Central Services Building, breaking ground in September 2010 at our Makapuu site. This project was planned and should have been constructed by the end of 2006, but was held up for unknown reasons by my predecessor. The Central Services Building now will be completed in February 2011. Following this project, OI will construct its Oceanic Learning Center, a \$3.0 million project. The design for this project has been completed. OI has approvals for all permits and will bid this project at the beginning of 2011 with an estimated completion date of March 2012.

With the renewed construction activity at OI and confidence in the new management, our BOT has recently given OI approval to move forward on the Feed Mill project. The BOT requested that we submit a business plan prior to moving forward with construction. That business plan was drafted and submitted to our BOT in March 2010. After some requested revisions we

Mr. Carty S. Chang
November 12, 2010
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obtained approval to move forward on the project. We will commence design work on the Feed Mill project during the first quarter of 2011.

This Feed Mill project is important for the State of Hawaii and our entire local agricultural community. Rising costs of imported feeds have caused the demise of our broiler industry and threaten all of our other animal agricultural sectors. The feed mill will play a key role in examining ways to use local agricultural products and by-products, including co-products from biofuels development as ingredients for low-cost, locally produced feeds to ensure our industry remains competitive. It will simultaneously advance the sustainability of our food supply in Hawaii as we can become less dependent on imported feeds, fertilizers, and animal protein products. Over this report period we also obtained approval from USDA to expand the scope of the mill to include research on terrestrial animal as well as aquaculture feeds development. This is a significant and positive step to help Hawaii agriculture as a whole.

Currently, the funding budgeted, funds remaining and sources for this project as follows:

<u>Source</u>	<u>Budget</u>	<u>Expended</u>	<u>Remaining</u>
USDA CSREES	\$1,022,862	\$111,261	\$911,601
State of Hawaii	\$804,000	\$0	\$804,000
Oceanic Institute	\$350,000	\$0	\$350,000
Total	\$2,176,862	\$111,261	\$2,065,601

Also, a projected schedule is attached as requested. Should you have any questions, please contact me at 259-3102 or Randy Honke, our project manager at 259-3189 or e-mail rhonke@oceanicinstitute.org.

Sincerely,



Anthony C. Ostrowski, Ph. D.
President

Projected Schedule

Negotiate Design Fees	January 31, 2011
Request USDA approval of design fees	February 4, 2011
Receive USDA approval of design fees	March 18, 2011
Issue Design Notice to Proceed	March 23, 2011
Preliminary (60%) Design Submittal	June 10, 2011
Preliminary Design Review Complete	July 10, 2011
Pre-Final (90%) Design Submittal	September 2, 2011
Pre-Final Design Review Complete	October 3, 2011
Final Design Complete	November 4, 2011
Building Permit Review and Approval Complete	June 1, 2012
Advertise for Bids	June 19, 2012
Bid Opening	July 19, 2012
Request USDA approval of Construction contract	August 1, 2012
Receive USDA approval of Construction contract	September 7, 2012
Issue Construction Notice to Proceed	September 24, 2012
Complete Construction	November 29, 2013